



GROUND RULES FOR THE MANAGEMENT OF THE FTSE Med 100 Index



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SECTION 1

1.0 INTRODUCTION

- 1.1 This paper sets out the Ground Rules for the management of the FTSE Med 100 Index. Copies of the Ground Rules are available from FTSE (see Appendix C).
- 1.2 The FTSE Med 100 Index is designed to represent the performance of the largest companies in the eastern Mediterranean region's markets. Initial markets will comprise Cyprus, Greece & Israel (see Section 5). Other markets may be added over time. The Index is suitable for derivative trading, including Exchange Traded Funds (ETFs).
- 1.3 The base currency for the FTSE Med 100 Index is Euros. The Index is calculated and published in Euros, and on an end of day basis in Euros, Pounds Sterling, US Dollars and Israeli Shekels. (see Appendix B).
- 1.4 The FTSE Med 100 Index is calculated in real-time and published every minute during the hours of calculation (see Appendix B).
- 1.5 Capital and Total Return Indices are available. Total Return Indices are published at the end of each working day. The Total Return Indices are based on ex dividend adjustments.

SECTION 2

2.0 STATUS OF INDICES

2.1 The FTSE Med 100 Index is calculated in real time and may exist in the following states:

(a) **Firm**

The index is being calculated using trade prices from the relevant local stock exchanges for all constituents during the hours of the Official Index Period (see Appendix B).

The Official Closing Index for FTSE Med 100 Index is the last index value calculated at the end of the firm period.

(b) **Closed**

When the index has ceased all calculations for the day, the message '**CLOSED**' is displayed against the index value.

(c) **Held**

During the firm period, the index has exceeded pre-set operating parameters and calculation has been suspended pending resolution of the problem. The message '**HELD**' is displayed against the last index value calculated.

(d) **Indicative**

If there is a system problem or a situation in the market that is judged to be affecting the quality of the constituent prices at any time when the index is being calculated, the index will be declared indicative. The message '**IND**' will be displayed against the index value.

(e) **Part**

If the index is being calculated during the normal Official Index Period hours, but there are less than 75% of the constituents by capitalisation available with firm prices, then the index will be displayed with the message '**PART**' to indicate that only a proportion of the securities prices are included. With the exception of the message '**PART**', the index will continue to be calculated and displayed as if it were firm.

2.2 The official opening and closing hours of the FTSE Med 100 Index are set out in Appendix B. Variations to the official hours of the indices are published by FTSE as appropriate.

2.3 The FTSE Med 100 Index is calculated on public holidays whenever at least one market is trading. The Index will not be calculated on 1st January.

SECTION 3

3.0 MANAGEMENT RESPONSIBILITIES

3.1 FTSE Med Index Committee

- 3.1.1 The FTSE Med Index Committee is responsible for undertaking the review of the FTSE Med 100 Index and for approving changes of constituents. The Committee may approve changes to the Ground Rules subject to Section 7.

3.2 Committee Membership

- 3.2.1 The FTSE Med Index Committee will comprise one member nominated by each of the partner stock exchanges and one member from FTSE. The member hosting each meeting of the Committee will chair the meeting.
- 3.2.2 The Committee meets semi-annually or more frequently, as required.

3.3 Secretary to the FTSE Med Index Committee

- 3.3.1 A Secretary to the FTSE Med Index Committee is appointed by the committee to support its work. The Secretary is responsible for the production of meeting documentation and for communications between the members.

3.4 FTSE

- 3.4.1 FTSE is responsible for conducting the semi-annual review of the FTSE Med 100 Index and will recommend for the approval of the FTSE Med Index Committee which companies, if any, should be inserted and deleted at the semi-annual review (see Rule 8).
- 3.4.1 FTSE is responsible for the operation of the FTSE Med 100 Index. FTSE will maintain records of the market capitalisation of all constituents and reserve companies, and will make changes to the constituents and their weightings in accordance with the Ground Rules. FTSE will carry out the semi-annual review of the FTSE Med 100 Index and implement the resulting constituent changes as required by the Ground Rules.
- 3.4.2 Changes to constituent weightings are made by FTSE in accordance with the Ground Rules. FTSE will inform the Secretary to the FTSE Med Index Committee of all changes to constituent weightings as soon as possible after the new weightings have been determined. FTSE is responsible for publicising changes to constituent weightings.
- 3.4.3 FTSE is also responsible for monitoring the performance of the FTSE Med 100 Index throughout the day and will determine whether the status of each index should be 'firm', 'indicative', 'held' or 'part'. They will inform the FTSE Med Index Committee of the reasons for all such occasions at the next regular meeting.

SECTION 4

4.0 ELIGIBLE SECURITIES

- 4.1 Securities that are members of the FTSE Global Equity Index Series (GEIS) Country Index for each participating exchange are eligible for the FTSE Med 100 Index. Exceptionally, as Cyprus is not a constituent country of the FTSE Global Equity Index Series, its FTSE Med 100 Index constituents will be drawn from the FTSE CySE 20 Index.
- 4.2 Companies whose business is that of holding equity and other investments are not eligible for inclusion in the Index. (For the purposes of this rule, companies that are classified in subsector 850, Investment Companies of the FTSE Global Classification System will be considered ineligible.)
- 4.3 The shares, free float weightings and treatment of secondary lines of stock of constituents are the same as in the FTSE Global Equity Index Series (or FTSE CySE 20 Index). Where two or more lines of a company are maintained separately within these indices, they will be treated as individual securities for the purposes of these rules.
- 4.4 Ground Rules for the FTSE Global Equity Index Series are available from FTSE. Ground Rules for the FTSE CySE 20 Index are available from FTSE. (See Appendix C). For a brief explanation of the eligibility criteria for the FTSE Global Equity Index Series, see Appendix D.

SECTION 5

5.0 INDEX QUALIFICATION CRITERIA

- 5.1 The FTSE Med 100 Index consists of the largest 100 companies by full market value (subject to Rule 5.2) that qualify under Section 4 as eligible for inclusion in the Index.
- 5.2 At each review each constituent exchange will be represented by at least five constituent companies, whenever at least five companies from each constituent exchange are eligible. (See rule 6.4.8)

SECTION 6

6.0 REVIEW OF CONSTITUENTS

6.1 General

- 6.1.1 The rules for inserting and deleting companies at the semi-annual review are designed to provide stability in the selection of constituents of the FTSE Med 100 Index while ensuring that the Index continues to be representative of the market by including or excluding those companies whose full market capitalisation has risen or fallen significantly.

6.2 Review Dates

- 6.2.1 The FTSE Med 100 Index is reviewed semi-annually in May and November.
- 6.2.2 The data on which the semi-annual reviews are undertaken will be from the close of the last business day in April and October. Where all eligible markets are not open on that day, the previous business day on which all eligible markets were open will be used.
- 6.2.3 Changes arising from the semi-annual review will be implemented after the close of business on the third Friday in May and November.

6.3 Responsibilities and Reporting

- 6.3.1 FTSE is responsible for conducting the semi-annual review of constituents for the FTSE Med 100 Index and will recommend to the FTSE Med Index Committee any constituents to be inserted or deleted as part of the semi-annual review as governed by Rule 6.4.
- 6.3.2 The FTSE Med Index Committee will decide whether to approve the recommendation presented to it or will determine what other action should be taken in consequence of the outcome of the review of constituents.
- 6.3.3 The Secretary to the FTSE Med Index Committee is responsible for publicising the outcome of the semi-annual review as soon as possible after the committee meeting.

6.4 Rules for Insertion and Deletion at the Semi-Annual Review

- 6.4.1 The constituents of the FTSE Med 100 Index are determined by using the following methodology:
- 6.4.2 Using a database of all constituent securities of the FTSE Global Equity Index Series country indices of the participating exchanges; (and FTSE CySE 20 Index for Cyprus)
- 6.4.3 Remove from the database those securities whose business is that of holding other equity (see rule 4.2);
- 6.4.4 Rank all remaining securities by full market capitalisation i.e. before the application of any investibility weightings (see rule 4.3);
- 6.4.5 Existing securities which have fallen to position 111 or below will qualify to be removed from the Index at the periodic review;

SECTION 6

- 6.4.6 Non-constituent securities which have risen to position 90 or above will qualify to be included in the Index at the periodic review;
- 6.4.7 Where a greater number of securities qualify to be included in the Index than those qualifying to be removed, the lowest ranking securities presently included in the Index will be removed to ensure that the number of securities remains constant. Likewise, where a greater number of securities qualify to be removed from the Index than those qualifying for inclusion, the highest ranking securities which are presently not in the Index will be included to match the number of securities being removed at the periodic review;
- 6.4.8 Each participating exchange will at review be represented in the FTSE Med 100 by a minimum of five constituent securities. Where the FTSE Med 100 has less than five securities belonging to a participating exchange, the smallest security (excluding those from the exchange that has less than five securities) will be removed and the largest eligible non-constituent security from that exchange will be added. This process is repeated until all participating exchanges are represented by a minimum of five constituent securities.
- 6.4.9 Between semi-annual reviews the number of securities representing a participating exchange may fall below five. At the following review, the minimum representation will be returned to five.
- 6.5 **Reserve Lists**
 - 6.5.1 FTSE is responsible for publishing the five highest ranking non-constituent securities of the FTSE Med 100 Index following each semi-annual review. This Reserve List will be used in the event that one or more constituent securities is deleted from the FTSE Med 100 Index during the period up to the next semi-annual review of the Index. Securities on the Reserve List will be constituents of the FTSE Global Equity Index Series (and FTSE CySE 20 Index).
 - 6.5.2 Where a security is removed from the Reserve List and leaves only two eligible securities remaining on the Reserve list, the Reserve List will be replenished. The Reserve List will be replenished by selecting the next three highest-ranking non-constituent securities from the eligible universe at the time of the last semi-annual review. FTSE is responsible for publishing these new Reserve List securities.
 - 6.5.3 Where a security is removed from the Index after the FTSE Med Index Committee has met and approved semi-annual changes to the Index but before the semi-annual changes have been implemented, the highest ranking security by full market capitalisation from the new Reserve List (excluding current Index constituents) will replace the deleted security.

SECTION 7

7.0 AMENDMENTS AND EXCEPTIONS TO THE GROUND RULES

- 7.1 In the event that the FTSE Med Index Committee or any of those responsible for the operation and administration of the FTSE Med 100 Index consider that an exception should be made to any of the Ground Rules, the issue must be brought to the attention of the Chairman or Deputy Chairman of the FTSE Med Index Committee, who will normally put the matter to the full FTSE Med Index Committee for a decision. If, however, the matter is urgent, FTSE is empowered to authorise an exception on behalf of the FTSE Med Index Committee but must immediately notify, and subsequently refer the matter to, a meeting of the FTSE Med Index Committee.
- 7.2 Where an exception is granted to the Ground Rules under Rule 7.1, it shall not be deemed to create a precedent for future decisions of the FTSE Med Index Committee.
- 7.3 Changes to the Ground Rules can only be made by the FTSE Med Index Committee.
- 7.4 Material changes to the Ground Rules are announced after the FTSE Med Index Committee's semi-annual meeting at which they are agreed, but will not come into effect until after they have been confirmed at the following semi-annual meeting, in order to allow for comments from index users and the market in general.

SECTION 8

8.0 CHANGES TO CONSTITUENT COMPANIES

8.1 Removal

- 8.1.1 If a constituent ceases to be a constituent of the relevant FTSE Global Equity Index Series Country Index (or FTSE/CySE 20 Index) it will be removed from the FTSE Med 100 Index. The removal will be concurrent with its removal from the FTSE Global Equity Index Series. The highest ranking non-constituent from the reserve list will become eligible for inclusion into the Index and will be added to the Index at the same time.

8.2 Additions & New Issues

- 8.2.1 If a constituent is added to the relevant FTSE Global Equity Index Series Country Index or FTSE CySE 20 Index it will be eligible for inclusion in the FTSE Med 100 Index at the next semi-annual review.

8.3 Mergers, Restructuring and Complex Takeovers

- 8.3.1 If the effect of a merger or takeover is that one constituent is absorbed by another, the resulting company will remain a constituent of the Index and a vacancy will be created. This vacancy will be filled by selecting the largest eligible non-constituent security by full market capitalisation from the reserve list at the time of the event. The removal and replacement of these stocks will be simultaneous.
- 8.3.2 If a constituent is taken over by an eligible non-constituent, the original constituent will be removed and replaced by the merged entity. In the event that the merged entity is ineligible for the index, it will be replaced by the largest eligible non-constituent from the reserve list at the time of the event. (See Rule 4.1) The removal and replacement of these stocks will be simultaneous.
- 8.3.3 If a constituent company is split so as to form two or more companies, the two or more companies arising from the split will be eligible for inclusion in the Index if they qualify in all respects (see Rule 4.1). If two or more of the new companies are ineligible then a vacancy(ies) will be created. If two or more companies are eligible, the smallest constituent(s) at the market close on the day of the event will be deleted. The removal and replacement of these stocks will be simultaneous.
- 8.3.4 If the FTSE Med Index Committee decides to include a new issue as a constituent security other than as part of the normal semi-annual review procedure, this decision must be publicly announced at the earliest practicable time.
- 8.3.5 If a constituent is suspended from the FTSE Global Equity Index Series or FTSE CySE 20 Index, the same treatment will be applied in the FTSE Med 100 Index.

SECTION 9

9.0 **CALCULATION ISSUES**

9.1 **Prices**

9.1.1 The FTSE Med 100 Index uses actual trade prices for securities with local stock exchange quotations. Reuters real-time spot currency rates are used in the index calculation.

9.1.2 The FTSE Med 100 Index receives share prices and currency spot rates in real time.

9.2 **Calculation Frequency**

9.2.1 The FTSE Med 100 Index is published every minute during the Official Index Period, using last trade prices.

9.3 **Algorithm**

9.3.1 The Index algorithm and calculation method are detailed in Appendix A.

INDEX ALGORITHM AND CALCULATION METHOD

APPENDIX A

The index is calculated using the algorithm described below.

$$\sum \frac{((p_{-1}^n \cdot e_{-1}^n) \cdot s_{-1}^n \cdot f_{-1}^n)}{d}$$

$$n = 1, 2, 3, \dots, n$$

n	=		The number of securities in the Index.
p	=	Price	The latest trade price of the component security (or the price at the close of the Index on the previous day)
e	=	Exchange Rate	The exchange rate required to convert the security's home currency into the index's base currency.
s	=	Shares in Issue	The number of shares in issue used by FTSE for the security, as defined in these Ground Rules.
f	=	Free Float Factor	The factor to be applied to each security to allow amendments to its weighting, expressed as a number between 0 and 1, where 1 represents a 100% free float. The free float factor for each security is published by FTSE.
d	=	Divisor	A figure that represents the total issued share capital of the Index at the base date. The divisor can be adjusted to allow changes in the issued share capital of individual securities to be made without distorting the Index.

APPENDIX B

INDEX & MARKET OPENING & CLOSING TIMES, PRICING & EXCHANGE RATES

HOURS OF CALCULATION

The FTSE Med 100 Index is calculated from 09:45 hrs until 18:00 hrs, local Greek time. (The Official Index Period.) The index closing values are disseminated after the closing FTSE Med 100 index foreign exchange rates are received from Reuters.

Stock Market Trading Times:

	Open	Close	
Athens (ATHEX)	10:30	17:20	
Cyprus (CSE)	10:30	17:20	
Israel (TASE)	09:45	16:30	(All times are Local Greek Time)

The FTSE Med 100 Index is calculated on public holidays whenever at least one exchange is trading. The Index will not be calculated on 1st January.

CONSTITUENT PRICING

All exchange closing prices are sourced from Reuters.

All times detailed are local.

MARKET	PRICE USED
Greece	ATHEX Official Close price at 17:20hrs.
Israel	Last trade price at 16:30hrs.
Cyprus	Official close price at 17:20hrs.

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FOREIGN EXCHANGE RATES

The foreign exchange rates used in the calculation of the FTSE Med 100 Index are Reuters' real time spot rates.

The Euro is the base currency for all index calculations. Non Euro denominated constituent prices are converted into Euros in order to calculate the Index. End of day index values are available denominated in Euros, Pounds Sterling, US Dollars and Israeli Shekels.

The real time foreign exchange rates are used throughout the period of calculation (see Hours of Calculation). Therefore foreign exchange movements are taken into account in the Index calculation for each market even though the underlying market may be closed.

The foreign exchange rates received from Reuters at 18:30 hrs (Greek time) are used to calculate the final Index levels and are termed the "closing FTSE Med 100 Index foreign exchange rates".

APPENDIX C

Further information on the FTSE Med 100 Index

Further information on the FTSE Med 100 Index is available from FTSE, who also welcome comments on these Ground Rules.

Enquiries should be addressed in the first instance to:

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APPENDIX D

FTSE GLOBAL EQUITY INDEX SERIES (FTSE GEIS) – COMPANY ELIGIBILITY CRITERIA

(This information is correct as at 04 May 2005. Index users should consult the full ground rules for the management of the FTSE Global Equity Index Series for full information as to the eligibility of companies and markets.)

Stocks are selected for the FTSE Global Equity Index Series (GEIS) on the basis of coverage, size, and liquidity. First, the 48 countries included in FTSE GEIS are first grouped into geographical regions. Each region is then reviewed annually; Developed Europe in September, and Middle East & Africa in June.

- Companies in the bottom 2% of a geographical region's market capitalisation are excluded. Specifically, a company must become part of the top 97% of a region's market capitalisation to be eligible; a company falling into the bottom 1% of a region's market capitalisation will be excluded from FTSE GEIS.
- Companies with a market capitalisation of less than US\$100m are excluded.
- Constituent companies must trade at least 0.5% of their free-float adjusted shares in issue in eight out of twelve months prior to review. Non-constituent companies must trade at least 0.5% of their free-float adjusted shares in issue in ten out of twelve months prior to the index review, to be eligible for FTSE GEIS.

Ground rules are also available from www.ftse.com

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